

MEMORANDUM

TO: All TNInvestco Applicants

**FROM: Reagan Farr, Commissioner
Department of Revenue**

**Matt Kisber, Commissioner
Department of Economic and Community Development**

DATE: September 14, 2009

RE: TNInvestco Application Process

The following information is provided to assist all interested parties in applying for an allocation of investment tax credits as set out in Chapter 610 of the Public Acts of 2009, known as the Tennessee Small Business Investment Company Credit Act (“the Act”).

The Act directs the Department of Economic and Community Development and the Department of Revenue to award specified investment tax credits to qualifying entities (“TNInvestcos”) no later than December 31, 2009, for the express purpose of generating capital investments in small businesses within the State of Tennessee. The investment tax credits can then be used by participating investors (i.e., insurance companies) to offset future Tennessee premiums tax liabilities, subject to the various provisions of the Act.

Section 5 of the Act requires the Department of Economic and Community Development, in consultation with the Department of Revenue, to provide a standardized format for entities to apply for qualification as a TNInvestco. Section 6 of the Act requires the departments to provide a standardized format for such TNInvestcos to apply for an award of investment tax credits. The credits are to be awarded in \$20 million allocations, with a maximum of six such allocations to be awarded under the Act.

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As required, the departments have developed and made available a two-part application. Part I comprises the applicant's request for qualification as a TNInvestco. Part II comprises a TNInvestco's request for an award of investment tax credits. The application must be submitted by the close of business on October 1, 2009.

Part I of the application will be provided to the Tennessee Technology Development Corporation ("TTDC"). Based on its expertise in the field of business development, TTDC will provide a narrative summary of the reputation of those individuals who are identified on the application as managers, affiliates, or advisors of the applicant. In addition, TTDC will provide any other information that it deems relevant to the application.

When the applicant submits Part II of the application, the Department of Revenue and the Tennessee Bureau of Investigation will each conduct a background check of the applicant, as well as the individuals who are identified on the application as managers, affiliates, or advisors of the applicant.

During October 2009, Part II of the application will be reviewed by the following group of individuals:

- Reagan Farr, Commissioner of Revenue
- Matt Kisber, Commissioner of Economic and Community Development
- Dale Sims, Vice Chancellor of the Tennessee Board of Regents and former State Treasurer
- Glen Page, Deputy Commissioner of Revenue
- Caleb Hemmer, Executive Assistant to the Commissioner of Economic and Community Development

After discussions and review of the information provided by TTDC, Commissioners Farr and Kisber will narrow the applicant pool to the top ten to twelve applicants. The decision process will be guided by a matrix developed in conjunction with TTDC. All decisions regarding the choice of applicants and final award of the investment tax credits will be made by the Commissioner of Revenue and the Commissioner of Economic and Community Development in their sole discretion as required in Section 6(c)(2) of the Act.

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The ten to twelve applicants remaining in the applicant pool will be interviewed in October 2009 by Commissioner Farr, Commissioner Kisber, and Vice Chancellor Sims. Based on these interviews, Commissioners Farr and Kisber will choose the TNInvestcos that will each receive either one or two allocations of investment tax credits (with a maximum of six allocations to be awarded to the entire pool of finalists). The finalists will be announced on or about November 1, 2009.

In addition, two alternate TNInvestcos will be chosen. In the event one or more original finalists are unable to secure irrevocable commitments from participating investors by November 30, 2009 as required in Section 6(b) of the Act, one or both alternates will receive the allocation(s) that would have gone to the original finalist(s). The alternate(s) will then have until December 31, 2009 to obtain the irrevocable commitments. The actual award of investment tax credits will take place in January 2010.

All decisions regarding the award of any investment tax credits will be based on the parameters established in the Act and the applicant's ability to achieve the investment goals set out by the General Assembly and Governor Bredesen.